UNITED
NATIONS

E

Economic and Social
Council

Distr.
GENERAL

E/1993/101
6 July 1993

ENGLISH
Original: ARABIC

Substantive session of 1993
28 June - 30 July 1993
Agenda item 6 (a)

SPECIAL ECONOMIC, HUMANITARIAN AND DISASTER RELIEF ASSISTANCE:
SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE

Letter dated 2 July 1993 from the Permanent Representative of Yemen to the United Nations Office at Geneva addressed to the Secretary-General

On the occasion of the substantive session of 1993 of the Economic and Social Council, meeting at Geneva, I have pleasure in transmitting to you a short document summarizing the economic and social difficulties facing the Republic of Yemen (see annex).

I would be grateful if you would distribute this document as a document of the substantive session under item 6 (a) "Special economic, humanitarian and disaster relief assistance: special programmes of economic assistance".

(Signed) Yahya Hamoud GEGHMAN
Ambassador and Permanent Representative at Geneva

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Annex

SUMMARY OF THE ECONOMIC AND SOCIAL DIFFICULTIES FACING THE REPUBLIC OF YEMEN

During a very short period of time, Yemen has witnessed a rapid sequence of important historic events that began with the establishment of Yemeni unity in May 1990 and included the application of democratic principles during the three-year transitional stage which culminated in the holding, in April 1993, of the country's first parliamentary elections since the unification. A new Government was formed which is now diligently formulating a general development strategy to deal with the accumulated economic problems, particularly by encouraging the private sector to engage in production and service activities on the understanding that the State will retain responsibility for the basic infrastructure and the social services sector.

It is important to bear in mind the fact that the present Government was formed as a result of the first parliamentary elections held in unified Yemen and that the administrative structure is still in its infancy. Moreover, many of the economic management procedures are not functioning in a fully efficient manner. The new Government also inherited numerous difficulties and problems which urgently require an immediate solution. There is a strong feeling that it is essential to put an end to the recession and the previous period of austerity. Considerable aid will be required in order to achieve this objective.

Donor States, international organizations and other financing institutions could play a role in meeting the country's development needs, as illustrated by the unsatisfactory social indicators, the low standard of performance in many production sectors and the lack of efficiency in some administrative and organizational fields. The providers of external assistance will therefore be called upon to play a significant role in coming years, particularly in regard to the development and enhancement of basic utilities. At the same time, the Government is endeavouring to lay the foundations of an economy that will be more dependent than hitherto on private sector investment and initiatives in general.

The Government of Yemen is still at the mercy of numerous indicators and factors which, in recent years, have halted economic growth in the country. These indicators and factors can be summarized as follows:

1. Following the unification of its two halves, Yemen, which the United Nations classifies as one of the least developed countries, continued to face serious structural imbalances which placed an increasingly heavy burden on the country's Government in its endeavours to carry out its ordinary development-related tasks aimed at relieving poverty due to the tremendous costs arising from the unification process itself. Accordingly, the new Government that was formed after the April 1993 elections in the Republic of Yemen is still facing considerable pressures and major difficulties which are placing a heavy burden on its administrative capacities and financial resources. The difficulties arising from the Gulf war are also still increasing due to the additional economic and social pressures to which Yemen has since been subjected. The numerous factors and difficulties that have helped to create the present crisis include the following:

(a) Unification requires tremendous endeavours to establish new institutions to replace the various systems that formerly existed in the two halves of Yemen;

(b) Unification implies a heavy schedule of legislative and legal work for the establishment of an integrated and unified system. Far-reaching institutional and legislative reforms were indispensable in almost all aspects of economic management;

(c) Unification led to a large schedule of new infrastructural needs, including efficient communications between the two halves of the country and the achievement of equality and complementarity between the two previous systems in fields such as public utilities and the provision of social services.

2. The magnitude of the additional pressures that arose from the Gulf crisis is evident from the fact that the United Nations described Yemen as the country which, after the Hashemite Kingdom of Jordan, was most adversely affected by that crisis. The United Nations estimated the additional burdens placed on Yemen at an amount of $3 billion, i.e., more than 20 per cent of its gross national product.

3. The return of the migrants from neighbouring countries helped to swell the population by 750,000 persons or more, thereby increasing the total labour force by about 15 per cent and total unemployment by about 36 per cent. There was also return migration from war-stricken areas in the Horn of Africa, which also increased the population. These numerous new residents, whom even a relatively wealthy country would have difficulty in absorbing, require access to education, health, housing and other services. There is no doubt that this was tantamount to a disaster in a situation in which the basic services were already largely dispersed and inadequate. The burdens were also increased by the recent arrival of more than 100,000 refugees from the Horn of Africa.

4. The loss of the remittances of the returnees caused a major problem, since they constituted one of the principal means to offset the large external trade deficit. The loss of these remittances also had an adverse impact on local activity and the tax base.

5. Other problems arose in Yemen due to natural disasters, including the prolonged lack of rainfall, which led to desertification and the recent drought in many parts of the country, and the damage caused by earthquakes and floods in various areas of the country during the past two years.

In recognition of the acute social and economic difficulties which Yemen was facing and which subsequently became even more complex as a result of reunification and the far-reaching adverse consequences of the Gulf war, the General Assembly of the United Nations adopted a number of resolutions, including 47/179, 46/174, 45/193 and 45/222, and the Economic and Social Council also adopted resolutions in this regard, including resolutions 1990/65, 1991/62 and 1992/61, as well as a number of decisions, all of which urged donor States and organizations to provide Yemen with assistance and requested the Secretary-General, in collaboration with United Nations organs and agencies and in close cooperation with the

governmental authorities, to formulate a programme for the reconstruction and development of Yemen. Those resolutions also requested the Secretary-General to help in the mobilization of resources and to consider the formulation of a comprehensive programme to evaluate Yemen's post-unification needs with a view to enabling the international community to provide assistance to meet those needs.

In addition to the above, it should be noted that the Republic of Yemen, like its two former halves, will for many years remain largely dependent on aid, ongoing investments and technical assistance from the international community. For many years there has been a substantial deficit in the current balance-of-payments account, amounting on average to about 22 per cent of gross domestic product. Although this deficit has begun to diminish, the Republic of Yemen needs, and for many years will continue to need, large-scale foreign financial aid in order to be able to sustain growth and improve the social standards of its citizens. Since Yemen is classified as a "least-developed country", it will continue to need low-cost external resources, in the form of grants and soft loans, from bilateral and multilateral donors.

During the period immediately preceding unification, there was a large increase in the net transfer of resources from donors. The figure, which does not include remittances from expatriates, rose from $413.2 million in 1986 to $537 million in 1988 and $560 million in 1989. However, this upward trend in the transfer of resources was reversed with effect from 1990 and the figure fell to $390.7 million. At the present time, the levels of foreign aid are insufficient to ensure the rapid rectification of the country's deplorable socio-economic situation. Although the Government intends to mobilize further local resources, Yemen will need high levels of international aid in coming years in order to be able to sustain and improve its overall socio-economic development.

In conclusion, the Government of Yemen believes that support for its long-term development strategy requires a review of the methodology that has hitherto been applied in regard to the magnitude and management of aid.